

Message Text

UNCLASSIFIED

PAGE 01 PARIS 34872 01 OF 05 241625Z

55

ACTION EUR-12

INFO OCT-01 EA-09 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-01 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 FEAE-00

OMB-01 /118 W

----- 108133

R 241557Z NOV 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 7389

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 01 OF 05 PARIS 34872

PASS TREASURY, FEDERAL RESERVE, COMMERCE

E.O. 11652: N/A

TAGS: EALR, EFIN, EGEN, FR

SUBJECT: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS

REF: PARIS 33301, NOVEMBER 10, 1976

1. SUMMARY

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 34872 01 OF 05 241625Z

THE ONLY BRIGHT SPOTS IN THE ECONOMIC SCENE DURING

THIS PERIOD HAVE BEEN THE PASSAGE BY THE NATIONAL ASSEMBLY OF THE 1977 FINANCE BILL WHICH IS NOW BEING DISCUSSED BY THE SENATE AND THE ANNOUNCEMENT OF A RECORD YEAR FOR THE AUTOMOBILE INDUSTRY. OTHERWISE, THE SITUATION IS FAIRLY GLOOMY WITH A HUGE DEFICIT IN THE TRADE BALANCE, UNADJUSTED UNEMPLOYMENT FIGURES AGAIN OVER THE MILLION MARK, AND A LARGE EXPECTED INCREASE IN THE OCTOBER CONSUMER PRICE INDEX. END SUMMARY.

2. BOF REPORTS STAGNATION IN INDUSTRIAL ACTIVITY

THE MOST RECENT BOF STUDY OF THE CURRENT ECONOMIC SITUATION IS FURTHER CONFIRMATION THAT INDUSTRIAL PRODUCTION IS STAGNATING ALTHOUGH AT A RELATIVELY HIGH LEVEL. ACCORDING TO THIS STUDY, MADE AT THE END OF OCTOBER, INTERNAL DEMAND REMAINS FIRM BUT IS TENDING TO FLATTEN OUT. IN THE CONSUMER GOODS SECTOR, ACTIVITY CONTINUES TO BE STRONG ALTHOUGH THERE HAS BEEN FIERCE FOREIGN COMPETITION AS WELL AS A PERCEPTIBLE WEAKENING IN COMMERCIAL ACTIVITY (CLOTHING, HOUSEHOLD APPLIANCES). ON THE OTHER HAND, THERE HAS BEEN A SMALL DECREASE IN PRODUCTION IN THE INTERMEDIATE GOODS SECTOR WHILE THE INTERNAL ORDERS FOR CAPITAL GOODS ARE VERY WEAK. SALES ON FOREIGN MARKETS ARE, ON THE WHOLE, DISAPPOINTING. WITH REGARD TO STOCKS, THEY HAVE INCREASED SLIGHTLY ABOVE THEIR NORMAL LEVEL, AND ENTERPRISES ARE TENDING TO MANAGE THEM WITH GREATER PRUDENCE BOTH BECAUSE OF A TIGHTENING OF THEIR FINANCIAL SITUATION PLUS THE OVERALL ECONOMIC OUTLOOK. FOR THE SHORT TERM, THE BOF THINKS THAT THE MAINTENANCE OF THE PRESENT LEVEL OF ACTIVITY IS GENERALLY ASSURED, BUT THAT A WEAKENING IS IN STORE FOR THOSE ENTERPRISES WHERE PRODUCTION EXCEEDS DEMAND. HOWEVER, THE BOF ALSO WARNS THAT NUMEROUS INDUSTRIALISTS ARE FINDING THEMSELVES IN A DIFFICULT SITUATION, AND THEY JUDGE URGENT THE ADOPTION OF MEASURES WHICH WILL PERMIT INCREASED INVESTMENT.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 34872 01 OF 05 241625Z

3. TAXE PROFESSIONNELLE CREATES A NEW HEADACHE

AS IF M. BARRE HASN'T HAD HIS SHARE OF HEADACHES RECENTLY, ANOTHER ONE, UNRELATED TO THE BARRE PLAN, HAS BEEN STIRRED UP IN THE PAST WEEK BY THE SO-CALLED "TAXE PROFESSIONNELLE." THE TAXE PROFESSIONNELLE IS A TAX PAID BY ENTERPRISES TO THEIR LOCAL ADMIN-

ISTRATIONS WHICH IS BASED ON THE ENTERPRISE'S
SALARIESND RECEIPTS PLUS THE RENTAL VALUE OF ITS
ASSETS. IT WAS ESTABLISHED IH 1975 TO REPLACE A

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 34872 02 OF 05 241627Z

55
ACTION EUR-12

INFO OCT-01 EA-09 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-01 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 FEAE-00

OMB-01 /118 W
----- 108148

R 241557Z NOV 76
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 7390
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USDEL MTN GENEVA
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

UNCLAS SECTION 02 OF 05 PARIS 34872

SIMILAR TAX CALLED THE "PATENTE." THE TAXE
PROFESSIONNELLE WAS INTENDED TO BE AN IMPROVEMENT
ON THE PATENTE SINCE IT WOULD CONSIDERABLY LIGHTEN

THE TAX BURDEN OF SMALL MERCHANTS AND ARTISANS.
THE AMOUNT OF TAXES WHICH THESE SMALL FIRMS NO
LONGER HAD TO PAY WOULD BE REDISTRIBUTED AMONG
THE REMAINING ENTERPRISES BY A COMPLICATED
FORMULA WHICH SUPPOSEDLY ASSURED THAT THE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 34872 02 OF 05 241627Z

INCREASED TAXES FOR THOSE REMAINING ENTER-
PRISES WOULD BE KEPT TO A REASONABLE LEVEL.

THE FRENCH BUREAUCRACY APPARENTLY MADE SOME
MISCALCULATIONS BECAUSE WHEN ENTERPRISES
RECEIVED THEIR TAX BILLS IN RECENT WEEKS, SOME
DISCOVERED THAT THEY WERE SUBJECT TO MUCH HIGHER
TAXES THAN UNDER THE PATENTE, SOMETIMES IN THE
ORDER OF 100-500 PERCENT. CRIES OF OUTRAGE
WERE HEARD, ESPECIALLY ON THE PART OF THE PATRONAT
WHO DECLARED THAT FOR EACH ENTERPRISE, THE INCREASE
FOR 1976 IN THE TAXE PROFESSIONNELLE SHOULD BE
LIMITED TO A CERTAIN PERCENT OF THE 1975 PATENTE AND
THAT THE INCREASE IN 1977 SHOULD BE LIMITED TO
6.5 PERCENT IN ACCORDANCE WITH THE BARRE PLAN.
THE ASSOCIATION OF SMALL AND MEDIUM-SIZED
ENTERPRISES IMMEDIATELY SEIZED THIS SUGGESTION
IN STATING THAT ITS MEMBERS REFUSED TO PAY THEIR
ASSESSED TAXE PROFESSIONNELLE BUT THAT THEY WOULD
PAY THE AMOUNT OF THEIR 1975 PATENTE INCREASED BY
15 PERCENT.

THE GOVERNMENT HAD NO CHOICE BUT TO MITIGATE TO
SOME EXTENT THE IMPACT OF THE TAXE PROFESSIONNELLE.
HOWEVER, ITS ATTEMPTS TO DO SO HAVE BEEN MEEK AT BEST:
IT HAS AGREED THAT THOSE FIRMS WHICH ARE SUBJECT
TO A TAX AT LEAST 70 PERCENT HIGHER THAN THE PATENTE
THEY PAID IN 1975 WILL BE ABLE TO SUBMIT THEIR
CASE TO A DEPARTMENTAL COMMITTEE WHICH MAY GRANT
SOME DELAYS IN PAYMENT OR REDUCTIONS IF IT DEEMS
IT NECESSARY. HOWEVER, THIS WILL ONLY APPLY TO THE
AMOUNT OF TAX HIGHER THAN 170 PERCENT OF THE 1975
PATENTE, AND FIRMS WILL NORMALLY BE EXPECTED TO PAY
THE REMAINING AMOUNT BY DECEMBER 15, 1976.

4. PATRONAT DEMANDS GOV ASSUME BURDEN OF MAINTAINING EMPLOYMENT

ACCORDING TO M. FRANCOIS CEYRAC, PRESIDENT OF THE
PATRONAT (THE FRENCH EQUIVALENT OF THE ASSOCIATION
OF MANUFACTURERS), IT IS THE GOVERNMENT'S RESPONSIBILITY.
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 34872 02 OF 05 241627Z

BILITY TO ASSUME THE BURDEN OF KEEPING EMPLOYMENT AT ITS PRESENT LEVEL. THE CONSIDERABLE EFFORT WHICH ENTERPRISES AGREED TO UNDERTAKE DURING THE RECESSION TO MAINTAIN THEIR LEVEL OF EMPLOYMENT AT AN ANNUAL COST OF FF10 BILLION IS, IN M. CEYRAC'S OPINION, NO LONGER JUSTIFIED. IT IS NECESSARY TO REVIEW THESE MECHANISMS SINCE THEY WERE MEANT TO BE IN PLACE FOR ONLY A SHORT PERIOD OF TIME AND THEY HAVE HURT THE FINANCIAL STRUCTURE OF MANY FIRMS.

M. CEYRAC BACKED UP HIS DEMAND WITH SOME PERTINENT STATISTICS. DURING THE 1974-1975 RECESSION, INDUSTRIAL PRODUCTION FELL BY 14 PERCENT, BUT DURING THE SAME PERIOD THE NUMBER OF EMPLOYED AND THE DURATION OF WORK FELL BY ONLY 2 PERCENT. AS A RESULT, THE PRODUCTIVITY OF FRENCH FIRMS FELL BY 9 PERCENT. THE WAGE BILL OF FRENCH ENTERPRISES INCREASED SHARPLY LAST YEAR DUE TO A 14.8 PERCENT INCREASE IN THE HOURLY WAGE AND A SUBSTANTIAL INCREASE IN THE RATE OF SOCIAL CHARGES. THUS, ACCORDING TO M. CEYRAC, THE INCOME OF ENTERPRISES IN REAL TERMS IS LESS TODAY THAN IT WAS IN 1970.

M. CEYRAC ALSO STATED THAT IT WOULD BE UNACCEPTABLE TO FIRMS, ONCE THE PRICE FREEZE IS OVER, TO ACCEPT THE PREVIOUS SYSTEM OF GOVERNMENT MANAGEMENT OF PRICES. ENTERPRISES SHOULD BE ALLOWED TO DECIDE THEIR OWN PRICES RATHER THAN BE FORCED, AS UNDER THE PREVIOUS SYSTEM, TO NEGOTIATE THEIR PRICE STRUCTURE WITH THE PRICE DIRECTORATE.

5. GISCARD CALLS FOR INDEXATION OF SMALL SAVINGS

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 34872 03 OF 05 241634Z

55

ACTION EUR-12

INFO OCT-01 EA-09 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-01 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 FEAE-00

OMB-01 /118 W

----- 108322

R 241557Z NOV 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 7391

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 03 OF 05 PARIS 34872

IN A POLITICAL MOVE AIMED AT THE 1978 PARLIAMENTARY ELECTIONS, PRESIDENT GISCARD HAS INSTRUCTED PRIME MINISTER BARRE TO DEVELOP AND TO PUT INTO OPERATION BY JANUARY 1, 1978, AT THE LATEST, A NEW SAVINGS INSTRUMENT WHICH WILL PROTECT SMALL SAVING DEPOSITS AGAINST INFLATION.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 34872 03 OF 05 241634Z

THE PRESIDENT HAS SPECIFIED A CERTAIN NUMBER OF CONDITIONS WITH REGARD TO THIS NEW INSTRUMENT:

- (1) THE PROTECTED SUMS MUST BE DEPOSITED FOR A CERTAIN PERIOD;
- (2) THE RATE OF INTEREST ON THE DEPOSITS WILL BE MODERATE;

(3) THE INDEXATION WILL BE RESERVED TO POPULAR SAVINGS AND, IN NO CASE, WILL IT BE GENERALIZED.
(4) THE DEPOSITS COLLECTED WILL BE INVESTED IN ORDER TO REDUCE THE COST OF THEIR PROTECTION.

THIS MOVE IS BASED ON GISCARD'S PHILOSOPHY, EXPLICITLY STATED IN HIS RECENT BOOK, "DEMOCRATIE FRANCAISE," THAT EACH PERSON IS ENTITLED TO A PATRIMONY. THERE IS CURRENTLY NO ECONOMIC NEED TO ENCOURAGE SAVINGS SINCE THE FRENCH SAVED AN UNPRECEDENTED PORTION OF THEIR DISPOSABLE INCOME IN 1974 AND 1975 (17 PERCENT). SUCH AN INSTRUMENT WILL CREATE MANY PROBLEMS WHICH WILL HAVE TO BE RESOLVED: HOW TO FINANCE THE HIGH COST OF THESE DEPOSITS; HOW TO LIMIT ITS USAGE ONLY TO SMALL DEPOSITORS; HOW TO INTEGRATE IT INTO THE RANGE OF OTHER FINANCIAL INSTRUMENTS WITHOUT DIVERTING FUNDS FROM THEM AND HOW TO INVEST APPROPRIATELY THESE FUNDS WHICH WILL BE RECEIVING PUBLIC SUPPORT.

6. NEAR RECORD TRADE DEFICIT IN OCTOBER

THE SEASONALLY ADJUSTED TRADE DEFICIT FOR OCTOBER WAS FF 4.7 BILLION, UP FROM FF 3.4 BILLION IN SEPTEMBER. IMPORTS WERE FF 28.0 BILLION, WHILE EXPORTS WERE FF 23.3 BILLION. THE RATE OF EXPORT COVER WAS 83.2 PERCENT, DOWN FROM 87.7 PERCENT IN SEPTEMBER. THE DEFICIT FOR THE FIRST TEN MONTHS OF THE YEAR WAS FF 15.4 BILLION.

FRENCH FOREIGN TRADE
(SEASONALLY ADJUSTED; IN BILLIONS OF FRANCS, FOB-FOB)

MAY JUN JULY AUG. SEPT. OCT.
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 34872 03 OF 05 241634Z

IMPORTS	22.8	23.3	24.7	25.4	27.2	28.0
EXPORTS	22.0	23.2	22.9	23.0	23.8	23.3
BALANCE	- 0.8	- 0.1	- 1.7	- 2.4	- 3.4	- 4.7
X/M	96.7	99.6	93.1	90.3	87.7	83.2

THE MAJOR FACTOR CONTRIBUTING TO THE LARGE DEFICIT IS THE PETROLEUM BILL, IMPORTS OF OIL WERE 3.6 PERCENT HIGHER LAST MONTH THAN IN OCTOBER 1975, AN INCREASE OF FF 250 MILLION. FOR THE FIRST TEN MONTHS OF THE YEAR FRANCE'S DEFICIT FOR ENERGY PRODUCTS WAS NEARLY FF 50 MILLION. THE LARGE INCREASE IN ENERGY IMPORTS DURING SEPTEMBER AND OCTOBER IS MAINLY ATTRIBUTED TO INCREASED STOCKING BY INDUSTRIAL CONSUMERS IN ANTICIPATION OF A PETROLEUM

PRICE INCREASE AT THE END OF THE YEAR.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 34872 04 OF 05 241636Z

55

ACTION EUR-12

INFO OCT-01 EA-09 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-01 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 FEAE-00

OMB-01 /118 W

----- 108340

R 241557Z NOV 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 7392

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 04 OF 05 PARIS 34872

THE DROUGHT LAST SUMMER CONTINUED TO TAKE ITS TOLL.
EXPORTS IN THE AGRICULTURAL SECTOR WERE MUCH LOWER
AND IMPORTS CORRESPONDINGLY HIGHER THAN IN OCTOBER
1975.

ANOTHER WORRYING FACTOR IS THE SLOW BUT STEADY DETERIORA-
TION IN THE TRADE BALANCE FOR THE CONSUMER GOODS
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 34872 04 OF 05 241636Z

SECTOR. IF EXPORTS OF AUTOMOBILES ARE INCLUDED, THERE
WILL BE A POSITIVE BALANCE FOR THIS SECTOR IN THE
ORDER OF FF 5-6 BILLION FOR 1976. HOWEVER,
EXCLUDING AUTOMOBILES, THE BALANCE WILL BE
NEGATIVE, AROUND FF 2 BILLION IN 1976, IN
COMPARISON TO A POSITIVE BALANCE OF FF 2 BILLION
IN 1975.

7. GOF TO DECIDE ON NEW ENERGY CONSERVATION STEPS

THE COUNCIL OF MINISTERS IS MEETING TODAY TO DECIDE
ON NEW MEASURES TO LIMIT AS MUCH AS POSSIBLE THE
ENERGY BILL NEXT YEAR. AMONG THE MEASURES WHICH MAY
POSSIBLY BE TAKEN ARE: REFORM OF THE TAX ON AUTOMOBILES
TO TAKE INTO ACCOUNT THE REAL POWER OF THE
CAR RATHER THAN THE NUMBER OF CYLINDERS; FINANCIAL
MEASURES TO ENCOURAGE INDUSTRIES TO ECONOMIZE ON
FUEL; STEPS TO ENFORCE THE ECONOMIZATION OF HEATING;
SOLAR ENERGY PLANTS; AND GEOTHERMIC PROGRAMS.

8. FOR THE AUTOMOBILE INDUSTRY, A VERY GOOD YEAR

THE AUTOMOBILE INDUSTRY EXPERIENCED RECORD SALES FOR
THE FIRST TEN MONTHS OF THIS YEAR, WITH PRODUCTION
16.5 PERCENT HIGHER THAN IN 1975 AND 1.2 PERCENT
HIGHER THAN IN 1973, THE PREVIOUS RECORD. INTERNAL
DEMAND APPEARS TO HAVE REMAINED VERY HIGH DESPITE
THE VARIOUS MEASURES IN THE BARRE PLAN TO DISCOURAGE
GASOLINE CONSUMPTION.

9. UNEMPLOYMENT GOES OVER MILLION MARK

THE NUMBER OF REGISTERED UNEMPLOYED, ON AN
UNADJUSTED BASIS, WENT OVER THE MILLION MARK IN
OCTOBER, TOTALING 1,025,300. THIS LARGE INCREASE
IN UNEMPLOYMENT IS PRIMARILY THE RESULT OF A LARGE
NUMBER OF SCHOOL-LEAVERS ENTERING THE LABOR MARKET
DURING THIS PERIOD OF THE YEAR. IN OCTOBER 1975
UNEMPLOYMENT ALSO WENT OVER ONE MILLION AND ONLY
DECREASED TO BELOW THAT LEVEL IN FEBRUARY OF THIS
YEAR.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 34872 04 OF 05 241636Z

THE SEASONALLY ADJUSTED DATA, HOWEVER, SHOWED A DECREASE IN THE UNEMPLOYMENT LEVEL FROM 941,300 IN SEPTEMBER TO 935,400 IN OCTOBER. A BAD SIGN FOR THE LABOR MARKET WAS THE SHARP DECREASE IN THE NUMBER OF UNFILLED JOB OFFERS FROM 131'200 IN SEPTEMBER TO 116,800 IN OCTOBER. WE ESTIMATE SEASONALLY ADJUSTED UNEMPLOYMENT TO BE ROUGHLY 4.2 PERCENT OF LABOR FORCE (SEE PARIS A-322 OF 1975 FOR METHODOLOGY).

LABOR MARKET INDICATORS
(SEASONALLY ADJUSTED; IN THOUSANDS END OF MONTH)

	MAY	JUNE	JULY	AUG.	SEPT.	OCT.
REGISTERED						
UNEMPLOYMENT	953.1	966.7	950.1	961.7	941.3	935.4
UNFILLED JOB						
OFFERS	134.3	138.7	134.0	135.5	131.2	116.8
UNEMPLOYMENT						
AS PERCENT OF						
LABOR						
FORCE	4.3	4.4	4.3	4.3	4.2	4.2

10. 0.8 PERCENT IN CONSUMER PRICES EXPECTED FOR OCTOBER

ALTHOUGH THE OFFICIAL RESULTS HAVE NOT YET BEEN RELEASED, "CORRESPONDENCE ECONOMIQUE" REPORTS THAT THE INCREASE IN THE CONSUMER PRICES DURING

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 34872 05 OF 05 241642Z

55
ACTION EUR-12

INFO OCT-01 EA-09 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-07 FRB-01 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 FEAE-00

OMB-01 /118 W

----- 108486

R 241557Z NOV 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 7393

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 05 OF 05 PARIS 34872

OCTOBER MAY HAVE BEEN 0.8 PERCENT. THIS WOULD MEAN THAT THE INCREASE IN PRICES SINCE THE BEGINNING OF THE YEAR HAS BEEN 8.4 PERCENT. THE RESULT FOR NOVEMBER IS ALSO NOT EXPECTED TO BE GOOD SINCE IT WILL INCLUDE THE INCREASE IN THE PRICES OF GAS AND OF SEVERAL OTHER PRODUCTS SUCH AS CHOCOLATE AND COFFEE. THUS, THE SUCCESS OF THE PRICE FREEZE WILL DEPEND MAINLY ON THE DECEMBER INDEX.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 34872 05 OF 05 241642Z

11. INCREASE IN HOURLY WAGES THIS YEAR LIKELY TO BE ABOVE 1975 LEVEL

TAKING INTO ACCOUNT PRELIMINARY ESTIMATES FOR THE THIRD QUARTER OF 1976, THE INCREASE IN HOURLY WAGES THIS YEAR WILL VERY LIKELY BE HIGHER THAN LAST YEAR. PRELIMINARY ESTIMATES SHOW A 4.0 PERCENT INCREASE FOR THE THIRD QUARTER (3.6 PERCENT EXCLUDING THE METAL SECTOR). THE INCREASES FOR THE FIRST AND SECOND QUARTERS WERE 4.1 PERCENT AND 4.3 PERCENT RESPECTIVELY. THUS, A 15 PERCENT INCREASE FOR THE YEAR IS VERY PROBABLE AS AGAINST A 14.8 PERCENT INCREASE IN 1975.

12. SEPTEMBER INDEX OF INDUSTRIAL PRODUCTION REACHES
1974 RECORD LEVEL

THE MONTHLY INDEX OF INDUSTRIAL PRODUCTION INCREASED
FROM 124 IN JULY/AUGUST TO 128 IN SEPTEMBER, A 3.2
PERCENT INCREASE.

MONSIEUR DURAFOUR, MINISTER DELEGATE OF ECONOMICS
AND FINANCE, IN COMMENTING ON THIS RESULT,
STATED THAT THE SITUATION VARIES VERY MUCH AMONG
INDUSTRIES. ON THE WHOLE, INDUSTRIES PRODUCING
CONSUMER GOODS HAVE SURPASSED THEIR PREVIOUS
HIGHEST LEVEL, WHILE INDUSTRIES PRODUCING
INTERMEDIATE GOODS REMAIN BELOW THEIR MAXIMUM OF
1974.

"LES ECHOES," IN ITS COMMENTARY ON THE INDUSTRIAL
PRODUCTION INDEX, NOTED THAT IN THE OPINION OF
MANY OFFICIAL EXPERTS THE INDEX IS NOT VERY
RELIABLE. FURTHERMORE, CONCLUSIONS OF THE
OCTOBER SURVEYS ALL SHOW A WEAKENING IN INDUSTRIAL
PRODUCTION.

13. OTHER REPORTS SUBMITTED DURING THE PERIOD

TELEGRAMS
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 34872 05 OF 05 241642Z

PARIS

33335	GOF RATIFICATION OF IMF ARTICLES OF AGREEMENT	11/10
33381	IMF RATIFICATION ISSUE: JACQUES RUEFF WEIGHS IN FOR THE UDR	11/10
33469	REF: STATE 274224	11/10
33467	CHASE-PARIS EDP	11/10
33565	FOLLOW-UP ON OECD DECLARATION ON INTERNATIONAL INVESTMENT AND MULTINATIONAL ENTERPRISES	11/12
33697	VALUE OF TRADE IN MANUFACTURES	11/12
33769	PARIS BR EXAMS	11/15
"4388	ZAIRE DEBT RESCHEDULING	11/19
34431	PARIS BR EXAMS	11/19
34610	BANK TRANSFERS TO LEBANON	11/22

AIRGRAMS

PARIS

A-452	FRENCH FOREIGN EXCHANGE HOLDINGS	11/12
-------	----------------------------------	-------

A-453 TRADE WITH COMMUNIST AREAS SEPTEMBER 1976 11/12

A-454 TRADE WITH SOVIET BLOC 11/12

A-455 " " " " 11/12

A-459 FRENCH RESERVES IN OCTOBER 1976 11/18

A-462 FRENCH FOREIGN EXCHANGE HOLDINGS 11/19

RUSH

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, ECONOMIC CONDITIONS, FINANCIAL TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 NOV 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PARIS34872
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760437-0711
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761118/aaaaaous.tel
Line Count: 661
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 13
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 PARIS 33301
Review Action: RELEASED, APPROVED
Review Authority: powellba
Review Comment: n/a
Review Content Flags:
Review Date: 02 AUG 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 AUG 2004 by castelsl>; APPROVED <01 DEC 2004 by powellba>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS
TAGS: EALR, EFIN, EGEN, FR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006